

Message Text

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ACTION ARA-10

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC IMMEDIATE 7244

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TAGS: EIND, EINV, EMIN, PFOR, PE

SUBJ: MARCONA-FOREIGN MINISTER SUGGESTS GOVERNMENT TO

GOVERNMENT NEGOTIATIONS

REF: LIMA 8551

1. SUMMARY: AMBASSADOR CALLED ON FOREIGN MINISTER AT NOON
OCTOBER 16. AS EXPECTED, PRINCIPAL SUBJECT OF DISCUSSION
WAS MARCONA PROBLEM, ON WHICH, THE MINISTER TOOK
THE POSITION THAT GOP NEGOTIATIONS WITH MARCONA WERE STALLED AND
THAT TALKS SHOULD BE MOVED TO GOVERNMENT-TO-GOVERNMENT LEVEL.
AMBASSADOR SAID THAT THIS SUGGESTION WOULD PRESUMABLY BE ACCEPT-
ABLE TO MARCONA, SINCE IT WAS ONE OF THE ALTERNATIVES COMPANY
HAD ORIGINALLY SUGGESTED, AND EMBASSY NOW IS WILLING TO RECOMMEND
IT. HOWEVER, HE SAID, MARCONA HAS NOT BEEN AS INTRANSEIGENT
AS MINISTER APPARENTLY BELIEVES, AND IN OUR VIEW THERE IS STILL ROOM
FOR PRODUCTIVE DISCUSSION WITH COMPANY. (COMMENT: WITH FOREIGN
MINISTER APPARENTLY SET ON THIS COURSE, WE RECOMMEND THAT
DEPARTMENT AND OTHER INTERESTED AGENCIES CONSIDER
USG-DESIGNATED REPRESENTATIVE WHO COULD COME TO PERU
AT EARLY DATE, PERHAPS IN FIRST INSTANCE ON A FACT-
FINDING BASIS, WITH POSSIBILITY OF MOVING DIRECTLY INTO
NEGOTIATIONS IF THIS SEEMS WARRENTED.) END SUMMARY

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2. AMBASSADOR CALLED ON FOREIGN MINISTER AT LATTER'S REQUEST. PRINCIPAL SUBJECT OF CONVERSATION WAS MARCONA, WITH FOREIGN MINISTER MAKING STRONG ARGUMENT FOR GOVERNMENT-LEVEL NEGOTIATIONS. MINISTER SAID THAT FROM GOP POINT OF VIEW GOVERNMENT NEGOTIATIONS ARE DESIRABLE FOR REASONS OF NATIONAL PRESTIGE AND DECORUM, SINCE ANY AGREEMENT REACHED CANNOT BE OPEN TO CHARGE THAT GOP HAD MADE CONCESSIONS TO A FOREIGN PRIVATE COMPANY. THIS DANGER WOULD BE GREATLY DIMINISHED, IF NOT ELIMINATED, HE ASSERTED, IF AGREEMENT WERE ACHIEVED THROUGH U.S.-DESIGNATED REPRESENTATIVE. ALSO, DE LA FLOR SAID THAT HIS EXPERIENCE IN DEALING WITH COMPANIES IS THAT THEY ARE SELFISH AND NARROW-MINDED, WHEREAS HE HAD TO BEAR IN MIND INTERESTS OF FIFTEEN MILLION PERUVIANS. GOVERNMENTS CAN AND MUST TAKE BORADER VIEW, TAKING INTO ACCOUNT FULL RANGE OF NATIONAL INTERESTS. REFERRING BACK TO GREENE AGREEMENT, MINISTER ALSO EXPRESSED VIEW THAT RESULTS FOR GOP HAD BEEN MUCH MORE ACCEPTABLE THAN WOULD HAVE BEEN THE CASE IF GOP HAD HAD TO DEAL WITH EACH OF THE AFFECTED COMPANIES ON AN INDIVIDUAL BASIS.

3. MINISTER SAID THAT, FROM GOP STANDPOINT, THERE WERE THREE POSSIBLE ALTERNATIVES: (1) COMPANY TO GOVERNMENT NEGOTIATIONS WHICH HAD BEEN TRIED, BUT WHICH, IN HIS VIEW, HAD LET NOWHERE; (2) GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS; OR (3) A GOP DECISION THAT DIGNITY OF STATE DEMANDS THAT GOP CEASE ALL FURTHER EFFORTS TO REACH AGREEMENT AND ACCEPT THE CONSEQUENCES, WITH POSSIBILITY THAT SOMETIME IN INDEFINITE FUTURE ANOTHER GREENE-TYPE SETTLEMENT COULD BE ACHIEVED. MINISTER SAID THAT HE DID NOT BELIEVE THAT U.S. WOULD WANT THIRD ALTERNATIVE. AMBASSADOR SAID HE FULLY AGREED WITH THIS POINT, AS CONSEQUENCES FOR BOTH COUNTRIES WOULD BE SERIOUS.

4. MINISTER BLAMED MARCONA FOR FAILURE OF CURRENT NEGOTIATIONS TO PROSPER. HE SEVERAL TIMES REFERRED TO MARCONA'S "INTRANSIGENCE" AND CITED MARCONA'S "REFUSAL" TO ACCEPT INTERPRETATION OF ARTICLE 8 AS SUGGESTED BY GOP COMMISSION AND ITS REJECTION OF COMPENSATION BASED ON BOOK VALUE. HERE MINISTER DIGRESSED TO SAY THAT TERM "COMPENSATION" IS UNWELCOME TO GOP, AND THAT SETTLEMENT SHOULD BE ON BASIS OF

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"JUSTIPRECIO". AMBASSADOR RESPONDED THAT THERE ARE SURELY A NUMBER OF WAYS TO GET AROUND ARTICLE 8 PROBLEM, AND THAT AS LONG AS BASIS FOR AGREEMENT EXISTS TERMINOLOGY IS OF SECONDARY IMPORTANCE. AMBASSADOR SAID THAT OUR UNDERSTANDING CONTINUES TO BE THAT MARCONA'S POSITION HAS NOT BEEN ADAMANT, AND THAT WHILE EMBASSY WOULD BE PREPARED TO SUPPORT CONCEPT OF GOVERNMENT-LEVEL NEGOTIATIONS, HE HOPED THAT IN MEANTIME TWO SIDES WOULD CONTINUE TO TALK. AMBASSADOR

SUGGESTED POSSIBILITY OF A SECOND MEETING BETWEEN MARCONA AND PRIME MINISTER AND OTHER INTERESTED MINISTERS. DE LA FLOR REJECTED THIS SUGGESTION ON GROUNDS OF IMPROPRIETY; GOP SHOULD NOT BE PLACED IN POSITION OF LOWERING PRESTIGE OF CABINET BY INVOLVING IT IN NEGOTIATIONS WITH A SINGLE FOREIGN COMPANY.

5. DE LA FLOR SAID THAT AMBASSADOR SHOULD BE AWARE OF THREAT TO GOP FROM "ULTRAS" (I.E. EXTREME LEFTISTS) AND THAT GOP HAS TO BE CONCERNED ABOUT PRESS ATTACKS, SOME OF WHICH HAVE ALREADY OCCURRED. AMBASSADOR REPLIED THAT MINISTER SHOULD BE AWARE THAT USG, FOR ITS PART, MUST BE CONCERNED ABOUT PRESSURES OF A DIFFERENT KIND IN THE U.S. MOREOVER, WHILE HE RECOGNIZED THAT GOP HAS IMAGE PROBLEM IN PERU, GOP SHOULD ALSO REALIZE THAT IT HAS IMAGE PROBLEM WITH INTERNATIONAL FINANCIAL COMMUNITY. REFERRING AGAIN TO IMAGE AND PRESS PROBLEMS, DE LA FLOR NOTED RATHER POINTEDLY THAT DESPITE ADVERSE COMMENTARY GOP HAS SO FAR REMAINED SILENT, ADDING THAT GOP COULD GREATLY IMPROVE ITS DOMESTIC POSITION BY ADOPTING PUBLIC POLICY AGAINST MARCONA AND COMPENSATION.

6. AMBASSADOR SAID THAT HE DID NOT BELIEVE MARCONA WOULD HAVE ANY PROBLEM WITH MOVING NEGOTIATION TO GOVERNMENT LEVEL, AND INDEED THIS HAD A OUTSET BEEN A PREFERRED OPTION FOR COMPANY. EMBASSY WOULD ACCORDINGLY MAKE SUCH A RECOMMENDATION. HOWEVER, ANY USG-DESIGNATED NEGOTIATOR WOULD HAVE TO TAKE MARCONA'S LEGITIMATE INTERESTS INTO ACCOUNT AND COULD NOT BE EXPECTED TO AGREE TO SETTLEMENT UNACCEPTABLE TO COMPANY. ALSO, IF SOLUTION EVENTUALLY AGREED UPON IS AS COMPLICATED AS HAS BEEN ENVISAGED. (INVOLVING COMPENSATION, SALES, SHIPPING, PELLET PLANT EXPANSION, ETC.) MARCONA REPRESENTATIVE WOULD HAVE TO PARTIICPATE IN SOME FASHION. INDEED, IT WOULD APPEAR TO BE IN GOP

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INTEREST TO HAVE MULTIFACETED AGREEMENT IN WHICH COMPENSATION COULD TAKE SEVERAL, DIFFICULT TO IDENTIFY FORMS. MINISTER EVENTUALLY CONCEDED THAT THIS WOULD BE DESIRABLE. AMBASSADOR AGAIN SUGGESTED THAT GOP CONSIDER RESUMPTION OF SHIPPING AND SALES, BUT DE LA FLOR TOOK POSITION THAT THESE MUST BE CONTINGENT ON RESOLUTION OF CENTRAL ISSUE. AMBASSADOR SAID HE WAS NONCOMMITTAL.

7. COMMENT: WITH GOP APPARENTLY HAVING MADE UP ITS MIND THAT THIS IS COURSE TO TAKE, WE RECOMMEND THAT DEPARTMENT AND THER INTERESTED AGENCIES URGENTLY CONSIDER DESIGNATION OF USG REPRESENTATIVE WHO WOULD COME TO PERU AT EARLY DATE. HIS ORIGINAL MANDATE MIGHT BE ONE OF FACT-FINDING. DEPENDING ON THE OUTCOME OF THIS PHASE, AND SUBJECT TO CONCURRENCE OF INTERESTED PARTIES, NEGOTIATIONS WITH GOP COULD

THEN BE PROMPTLY INITIATED. IF DEPARTMENT AND MARCONA
AGREE THAT THIS APPROACH SHOULD BE TAKEN, WE WILL CONFER
WITH GOP TO DETERMINE AT WHAT LEVEL THEY ENVISAGE NEGOTIA-
TIONS TAKING PLACE AND WHAT THE TIMING MIGHT BE.

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